



POLICY ADDRESSING CASH PAYMENT PROCEDURES DUE TO DISCONTINUANCE OF THE PENNY

On January 20, 2026, many of you may have received the attached Memorandum from Jason Mumpower, Comptroller of the Treasury, regarding procedures for customer transactions in response to the discontinuance of the penny. A few days later, TAUD sent out a Memorandum suggesting utilities may want to delay establishing a policy about how to handle payment procedures due to the discontinuance of the penny due to a couple of bills filed with the General Assembly addressing this same issue which could affect any policy adopted.

The legislature did enact Public Chapter 602 which established rounding rules for cash transactions for private entities which is attached. This new law does not apply to governmental entities. Nothing in Public Chapter 602 changes the current legal requirement that sales tax obligations continue to be calculated to the penny and be remitted to the Department of Revenue as set forth on a utility bill.

Because pennies continue to be legal tender for payment under federal law, a utility must continue to accept pennies as a form of payment. TAUD would discourage utilities from terminating utility service for nonpayment simply because it no longer has pennies available to make exact change when a customer pays in cash. Moreover, TAUD does not believe changing utility rates to end in multiples of \$0.05 or \$0.10 is an effective means to address the lack of pennies since utilities must continue to charge sales tax on taxable utility sales to the penny.

To assist utilities in addressing payment procedures for cash transactions which do not end in multiples of \$0.05 or \$0.10, TAUD has prepared the attached policy for paying monthly utility bills and other utility charges in cash. This policy is a suggested policy and other provisions may certainly be adopted by a specific utility since none of these provisions have been legally mandated to date for government-owned utilities.

May 6, 2026

**CASH PAYMENT PROCEDURES FOR MONTHLY UTILITY BILLS AND OTHER
UTILITY CHARGES**

(1) When a customer seeks to pay a utility bill or any utility charge which does not end in multiples of \$0.05 or \$0.10 with cash, the utility will request the customer pay using exact change.

(2) If the customer is unable to provide exact change, the utility will offer alternative payment methods including debit cards, credit cards, electronic checks, or online payment portals.

(3) If a customer is unable or unwilling to use alternative payment methods offered, the utility will round up the cash payment to the nearest five-cent (\$0.05) interval, and the difference between the amount owed and the cash payment will be applied as a credit to the customer's account.



JASON E. MUMPOWER
Comptroller

January 20, 2026

MEMORANDUM TO: Tennessee Local Government Entities

FROM: Jason E. Mumpower, Comptroller of the Treasury

SUBJECT: Payment Processing Information Following Penny Discontinuance

In light of the federal discontinuance of the penny, this guidance aims to assist local governments, including utilities and authorities, in adopting processing procedures that are authorized under federal and state law while maintaining fair and transparent operations.

Payment Procedures

Local governments should consider implementing procedures for all customer transactions in response to the discontinuation of the penny. Below are options that local governments may wish to consider:

- Requiring or encouraging customers to provide exact change when making cash payments;
- Offering alternative payment methods including debit cards, credit cards, electronic checks, or online payment portals;
- Establishing protocols for crediting a customer's account when a customer is paying non-exact cash for recurring payments;
- Declining to accept non-exact cash payments, when authorized; and
- Adjusting rates, fees, and charges within the local government's legal authority to multiples of \$0.05 or \$0.10.

Implementation Considerations

Prior to implementing any new or amended policies or procedures related to the discontinuance of the penny, local governments should remember these important considerations:

- Consult with your attorney to ensure you are acting within your legal authority;
- Ensure that any new policies and procedures are reasonable as applied to your local community;
- Refrain from adopting policies and procedures that provide a benefit to one type of payment over another;
- Apply new policies and procedures uniformly;
- Clearly communicate any new policies and procedures to the local community through appropriate channels;
- Train all staff as necessary; and
- Ensure all policies and procedures comply with government accounting standards and that accounting systems can appropriately address the new policies and procedures.



State of Tennessee

PUBLIC CHAPTER NO. 602

HOUSE BILL NO. 1744

By Representatives Baum, Powell

Substituted for: Senate Bill No. 1810

By Senator Reeves

AN ACT to amend Tennessee Code Annotated, Title 9; Title 45; Title 47, Chapter 50; Title 47, Chapter 18 and Title 67, relative to cash transactions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 47-18-111(a), is amended by adding the following as a new, appropriately designated subdivision:

() Rounding a cash transaction to the nearest nickel if the penny is no longer in production;

SECTION 2. Tennessee Code Annotated, Title 47, Chapter 50, is amended by adding the following as a new section:

(a) If a private entity, or its employees or contractors, is engaged in business with the public and accepts cash payments, or a financial institution provides currency in exchange for a payment instrument received, but does not have exact change available during a cash transaction, then the entity may, in lieu of calculating the total transaction amount to the nearest penny, round off all figures used in the total transaction amount to the nearest nickel, subject to the following conditions:

(1) If the total amount ends in one cent (\$0.01) or more, but less than three cents (\$0.03), then the entity may round down to the nearest five-cent interval;

(2) If the total amount ends in three cents (\$0.03) or more, but less than five cents (\$0.05), then the entity may round up to the nearest five-cent interval;

(3) If the total amount ends in more than five cents (\$0.05), but less than eight cents (\$0.08), then the entity may round down to the nearest five-cent interval; and

(4) If the total amount ends in eight cents (\$0.08) or more, but less than ten cents (\$0.10), then the entity may round up to the nearest five-cent interval.

(b) For purposes of subsection (a), the hundredths place is used to determine the cents in which a total amount ends.

(c) Rounding to the nearest nickel does not apply to transactions conducted electronically. For mixed-tender transactions, rounding to the nearest nickel applies only to the portion of the transaction paid in cash. Rounding under this section does not alter or affect the exact amounts authorized, cleared, or settled through any non-cash payment system.

(d) This section does not affect the rounding rule in § 67-6-504(h) for computing the sales tax due in a transaction, and does not relieve private entities from the duty to calculate sales tax to the penny and remit to the department of revenue the exact amount of sales tax shown on an invoice or receipt.

SECTION 3. This act takes effect upon becoming a law, the public welfare requiring it.

HOUSE BILL NO. 1744

PASSED: March 2, 2026



CAMERON SEXTON, SPEAKER
HOUSE OF REPRESENTATIVES



RANDY MCNALLY
SPEAKER OF THE SENATE

APPROVED this 18th day of March 2026



BILL LEE, GOVERNOR